DIRECT TESTIMONY OF

MICHAEL L. SEAMAN-HUYNH

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2021-5-G

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Operations at the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Arts from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager. I assumed my current position in August of 2019.

Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?

A. Yes. I have previously testified before the Commission on numerous occasions in connection with hearings concerning annual fuel clause proceedings, annual purchased gas adjustment proceedings, general rate cases, and other various regulatory matters.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S. C. Code Ann. § 58-4-10 as:

> [T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?

A. My direct testimony will present ORS's review findings related to Dominion Energy South Carolina, Incorporated's ("DESC" or "Company"):

1) Natural gas purchasing policies for the twelve (12) month period of August 2020 through July 2021 ("Review Period");
2) Ability to serve the firm customers during the Review Period and for the upcoming winter season;
3) Recovery of its purchased gas cost in accordance with the Commission approved purchased gas adjustment ("PGA") tariff or gas cost recovery mechanism; and
4) Updated calculation of the demand cost of gas ("DCOG") allocation factors.

By ensuring that the Company properly administered the PGA, and employed prudent and reasonable natural gas purchasing practices and policies during the Review Period in compliance with applicable tariffs and Commission Orders, my review and direct testimony promotes the public interest.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. DID ORS REVIEW THE COMPANY'S CONSTRUCTION AND MAINTENANCE PROJECTS DURING THE REVIEW PERIOD?

A. Yes. ORS reviewed the Company's construction and maintenance projects and found the projects promote safe and reliable delivery of natural gas to customers. Specifically, the projects outlined in Company witness McGlohorn's direct testimony provide additional gas infrastructure, aid in expanding the natural gas distribution system, and increase total customers and sales on the Company's natural gas distribution system.

In addition, DESC is required to file new construction notices with the Commission for any project expected to exceed $500,000 pursuant to S.C. Code Ann. Reg. 103-412.2.7(A) (2012). During the Review Period, the Company filed eight (8) such notices on eighteen (18) projects under Docket No. 2006-244-G. These projects included, but were not limited to:

1) Installation of fourteen (14) miles of 12-inch steel main along existing right-of-way to support system growth in Charleston County.
2) Installation of zinc ribbon and associated equipment along existing pipelines for the purpose of Alternating Current (AC) Mitigation.
3) Relocation of existing facilities to accommodate the South Carolina Department of Transportation's Clements Ferry and Hardscrabble Road Widening Projects, and Sumter Revitalization Project.
4) Installation of distribution pipelines to support system growth in Horry County, Myrtle Beach, Summerville, Aiken, and Columbia.

ORS did not review these projects for reasonableness or cost as part of this docket. Such a review is part of the annual review under the Natural Gas Rate Stabilization Act, S.C. Code Ann. § 58-5-400.

Q. DID ORS REVIEW THE COMPANY'S ABILITY TO MANAGE ITS CAPACITY AND SUPPLY DURING THE REVIEW PERIOD?

A. Yes. During the Review Period, the Company purchased and managed its transportation capacity contracts with Southern Natural Gas Company ("Southern"), Transcontinental Gas Pipe Line Corporation ("Transco"), and Carolina Gas Transmission, LLC ("CGT"). The Company also managed interstate transportation capacity sharing between its gas and electric departments pursuant to the Memorandum of Understanding approved by the Commission in Order No. 2015-844. The Company purchased and managed its interstate underground natural gas storage and off-system Liquefied Natural Gas ("LNG") capacity assets on the Southern and Transco interstate systems. In addition, the Company managed and operated its two (2) Company-owned LNG facilities. These Company capacity assets are discussed in Company witness Jackson's direct testimony and are shown in Corrected Exhibit RMJ-1 and Exhibit RMJ-2.

DESC was responsible for purchasing and managing natural gas commodity supplies from multiple sources for the Company's three (3) gas supply options of: 1) wellhead gas supply, 2) interstate storage, and 3) on-system LNG storage. The Company's supply portfolio and the use of the various services within the portfolio are also discussed in the direct testimony of Company witness Jackson.

ORS reviewed the Company's capacity and supply asset management during the Review Period. Additionally, ORS verified the credits earned through capacity release and revenue sharing from Asset Management Agreements ("AMA"). ORS found that DESC managed its capacity assets for interstate pipeline transportation, interstate pipeline storage, and its LNG facilities, as well as purchased natural gas commodity supplies to meet the customers' needs and provide reliable firm service at reasonable costs.

Specifically, ORS reviewed a sample of the Company's gas purchases made during the Review Period. ORS compared the individual sampled gas purchases to the appropriate New York Mercantile Exchange ("NYMEX") indicators on the spot market or on a month ahead basis to determine if the specific gas costs the Company contracted at were within a reasonable band at the given time. ORS determined the sampled purchases were reasonable in comparison to the prevailing market costs.

Additionally, ORS reviewed a sample of the Company's capacity contracts. These contracts are long-term, and the prices paid by the Company to the major interstate pipelines are regulated by Federal Energy Regulatory Commission ("FERC") tariffs. ORS confirmed the terms of the Company's capacity contracts reflected prices in line with FERC tariff levels for a sample of the gas capacity contracts in place.

Q. DID THE COMPANY MAKE ANY CHANGES TO ITS NATURAL GAS PURCHASING POLICIES DURING THE REVIEW PERIOD?

A. No. The Company did not make any changes to its natural gas purchasing policies during the Review Period.

Pursuant to Commission directive dated July 21, 2021, issued in Docket No. 2021-4-G, the Commission opened a separate docket (Docket No. 2021-236-G) to review and examine the feasibility of options to consider natural gas purchasing policies and practices related to Responsibly Sourced Gas ("RSG"), as well as any financial impact on customers and costs.[1] In response to ORS's discovery regarding DESC's current RSG purchasing policies, the Company indicated that it does not currently have a requirement to purchase RSG.[2] Any changes to the Company's purchasing policies and practices that incorporate RSG will be discussed in Docket No. 2021-236-G.

Q. DID THE COMPANY MINIMIZE GAS INTERRUPTIONS DURING THE 2020 – 2021 WINTER SEASON?

A. Yes. During the Review Period, the Company experienced eight (8) instances of system-wide gas interruption. No firm customers were affected, as all eight (8) instances involved commercial and/or industrial customer classes on interruptible service with alternative fuels available as detailed below:

1) December 1, 2020: Two (2) day interruption was initiated for customers categories 9 through 3C. The average temperature in Columbia during the two (2) days of this interruption was 40°F compared to a normal average of 50°F.

2) December 17, 2020: Two (2) day interruption was initiated for customers categories 9 through 3C. The average temperature in Columbia during the two (2) days of this interruption was 42°F compared to a normal average of 46°F.

3) December 25, 2020: Three (3) day interruption was initiated for customers categories 9 through 3C. The average temperature in Columbia during the three (3) days of this interruption was 34°F compared to a normal average of 45°F.

[1] Commission Directive - Final Disposition of Piedmont Natural Gas Company, Incorporated's Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies (Docket No. 2021-4-G); https://dms.psc.sc.gov/Attachments/Matter/742cdb4b-501c-40a8-9102-d2b75f6ee1ed

[2] Response to ORS Request 1-5.

4) January 8, 2021: Two (2) day interruption was initiated for customers categories 9 through 3D. The average temperature in Columbia during the two (2) days of this interruption was 42°F compared to a normal average of 44°F.

5) January 16, 2021: Two (2) day interruption was initiated for customers categories 9 through 6. The average temperature in Columbia during the two (2) days of this interruption was 39°F compared to a normal average of 45°F.

6) January 28, 2021: Two (2) day interruption was initiated for customers categories 9 through 3E. The average temperature in Columbia during the two (2) days of this interruption was 45°F compared to a normal average of 46°F.

7) February 1, 2021: Three (3) day interruption was initiated for customers categories 9 through 3D. The average temperature in Columbia during the three (3) days of this interruption was 41°F compared to a normal average of 46°F.

8) February 12, 2021: Nine (9) day interruption was initiated for customers categories 9 through 3C. The average temperature in Columbia during the nine (9) days of this interruption was 43°F compared to a normal average of 49°F.

Q. DID ORS REVIEW THE COMPANY'S ABILITY TO MEET FIRM CUSTOMERS' GAS REQUIREMENTS DURING THE 2021-2022 WINTER SEASON?

A. Yes. ORS reviewed the Company's capacity contracts to determine if there was sufficient capacity contracted to meet firm customer's peak design day requirements. Additionally, ORS reviewed the Company's commodity supply contracts to determine if the Company would have an adequate source of viable gas suppliers to purchase both monthly gas supply as well as spot gas. Finally, ORS reviewed the Company's current distribution system to ensure the Company will be able to deliver gas within its system to all service areas. ORS concluded the Company prepared a capacity and supply asset portfolio to sufficiently and reliably meet the 2021-2022 winter season's projected firm customers' requirements.

Q. WHAT IS THE SYSTEM-WIDE RESERVE CAPACITY FOR THE COMPANY?

A. The Company's system-wide reserve capacity during the last five (5) winter seasons is illustrated in the table below:

Reserve Margin	Winter Season
5.49%	2016-2017
2.81%	2017-2018
4.11%	2018-2019
3.71%	2019-2020
5.67%	2020-2021

The Company is projecting a decrease to 5.14%[3] in the system-wide reserve capacity margin for the 2021-2022 winter season.

Q. IS THE COMPANY'S RESERVE CAPACITY MARGIN SUFFICIENT TO PROVIDE RELIABLE SERVICE TO MEET CUSTOMER REQUIREMENTS ON PEAK DAYS?

A. Yes. However, ORS is concerned that steady residential customer growth in DESC service territory and the increased reliance on natural gas for electric generation could impact capacity reserves and cause service reliability issues on peak demand days. In addition, as identified by Company witness Jackson on page 9 of her direct testimony, the Company is unable to continue to rely on segmentation to meet its design day customer

[3] Exhibit RMJ-2

needs. Going forward, system growth will be reviewed by the Company based on specific area points versus system-wide, which could identify service regions within the system with a much lower reserve capacity margin. The electric utility industry has adopted certain reserve capacity margin benchmarks; however, the natural gas utility industry does not use similar benchmarks. ORS will continue to monitor DESC's ability to serve both its firm and interruptible customers in the upcoming winter seasons.

Q. PLEASE DESCRIBE THE COMPANY'S GAS COST RECOVERY PROCEDURES APPROVED BY THE COMMISSION.

A. The Commission approved DESC's two-part gas cost recovery mechanism in Order No. 2005-653. That mechanism involves: 1) a Firm Commodity Benchmark component which is calculated to recover the commodity cost of gas purchased; and 2) a demand component which is calculated to recover the associated DCOG. The demand component charge includes the fixed charges by upstream pipelines for transportation and storage services. The current "Purchased Gas Adjustment, Firm Gas Only" tariff sheet was approved by the Commission in Order No. 2009-910 and became effective in January 2010.

Q. PLEASE DISCUSS THE OPERATION OF THE TWO-PART COST OF GAS RECOVERY MECHANISM.

A. All firm customers are charged the same Firm Commodity Benchmark cost. The demand charge cost component is calculated for each customer class (Residential, Small/Medium General Service, and Large General Service) based on an equal (50%/50%) weighting of peak design day projected demand and annual forecast sales volumes. In computing the demand charge component for the firm customers, seventy-five percent (75%) of the revenue generated from capacity release of upstream assets, as well as all net revenues from interruptible sales and transportation service, are credited against the firm demand charges.

Added together, these two (2) components (i.e. the commodity and demand costs) equal the PGA factor for each firm customer class.

Q. DURING THE REVIEW PERIOD, DID DESC FILE MONTHLY NOTIFICATIONS OF THE FIRM PGA FACTORS RESULTING FROM THE TWELVE (12) MONTH ROLLING FORECAST OF GAS COSTS WITH THE COMMISSION AND ORS?

A. Yes. Under the provisions of Order No. 2006-679, DESC can make monthly adjustments in its PGA factors after the Company completes an updated monthly forecast to determine if there is a "material difference" for any customer class equal to or greater than $0.01 per therm. However, in Commission Order No. 2009-910, the Commission found that the monthly adjustment procedure for the total cost of gas factors as adopted in the above-referenced order should be maintained subject to the following modifications:

1) The amount designated as a "material difference" was increased from an amount "equal to or greater than $0.01 per therm" to an "amount greater than $0.04 per therm";
2) If the calculated difference is greater than $0.04 per therm, then the Company is required to adjust its rates;
3) If the calculated difference is less than or equal to $0.04 per therm, then the Company has the discretion to adjust rates if it believes there would be a reasonable impact to customer bills; and

4) The criteria set forth in (1), (2) and (3) are to be applied by customer class and not by component within customer class.

In this Review Period, the Company filed monthly notifications with the Commission and ORS for each of the twelve (12) months, five (5) of which included changes in its PGA factor. ORS found the Company adjusted the PGA factors during the Review Period in a manner consistent with the Company's current Commission-approved PGA tariff and Commission orders.

Q. PLEASE DESCRIBE ORS'S REVIEW AND FINDINGS REGARDING THE COMPANY'S RECOVERY OF PURCHASED GAS COSTS FOR THE REVIEW PERIOD.

A. ORS reviews the Company's monthly filings as submitted to the Commission regardless of whether there is a change in the cost of gas. The ORS review includes an examination of the Company's expected weather normalized sales at NYMEX futures prices by customer class for the next twelve (12) months and weather normalized demand cost recovery by customer class over the next twelve (12) months. If the combined cost of gas meets the material difference threshold of $0.04 per therm, the new cost of gas factors required to recover the Company's current over or under collection will be put into effect for the following month.

ORS found that DESC administered and recovered its gas costs during the Review Period in a manner consistent with the Company's current Commission-approved PGA tariff and Commission orders.

Q. DOES ORS AGREE WITH THE COMPANY'S PROPOSED DCOG ALLOCATION FACTORS UPDATED FOR THE COMPANY'S CURRENT FORECAST AND ITS IMPLEMENTATION EFFECTIVE FOR THE FIRST BILLING CYCLE IN JANUARY 2022?

A. Yes. The Company's DCOG factors are developed to allocate demand costs between customer classes in proportion to the impact on demand requirements for DESC's natural gas distribution system. ORS reviewed the Company's methodology in forecasting annual natural gas sales and peak design day demand for the upcoming winter season by customer class, and verified the calculations of the DCOG factors provided in the direct testimony of Company witness Elliott. The Company seeks Commission approval to implement these DCOG allocation factors effective for the first billing cycle in January 2022.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.